OMERS
member news

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New! Monthly payment plan for buy-backs

"OMERS is committed to providing best-in-class pension services to our members," said Jennifer Brown, Chief Pension Officer.

"On May 11, 2009, we began offering a new buy-back payment plan that can make purchasing past service easier to manage. Eligible members now have the option to pay for a buy-back in monthly payments over 12, 24 or 36 months through pre-authorized withdrawals from their bank account."

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OMERS
Plan for the Future

An OMERS pension will provide you with retirement income for life and includes inflation protection, early retirement options and survivor and disability benefits. Member News keeps more than 248,000 members up to date on plan news and benefits.

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How service is credited

Under OMERS new buy-back payment plan, the service is credited as monthly payments are received.

OMERS buy-back payment options

- Members who are eligible to purchase service can make payments over 12, 24 or 36 months through the monthly payment plan; or
- Members can pay the full cost in one lump sum (by personal cheque, transfer from an RRSP, transfer from another registered pension plan, or retiring allowance); or
- Pay using a combination of a lump sum (as above) for a portion of the buy-back and the monthly payment plan for the balance.

For the monthly payment plan options, OMERS applies an annual interest rate which reflects the increasing value of the service during the payment period.

Buy-back rules haven't changed

The types of service and the rules governing buy-backs have not changed. The Canada Revenue Agency must first approve a past service pension adjustment (PSPA) for service after 1989.

Service cost quotes have an expiry date; after this date OMERS will recalculate the cost. The cost increases with a member's age and earnings, and reflects the increasing value of the benefit.

Purchasable past service

A member can purchase service they have with an OMERS employer that doesn't already count as credited service. This includes:

- leaves of absence (such as pregnancy/parental or unpaid vacation leaves) not purchased before the leave period deadline;
- most other types of service with an OMERS employer during which the member didn't contribute to the plan; and
- previous OMERS credited service that the member had refunded.

Members may also be able to buy some types of Canadian public sector service outside OMERS.

If a member stops making payments before the end of the payment period, we credit the member with the service they purchased up to their last payment.

If a member has more service to buy after the payment period ends, OMERS can calculate a new cost based on the member's current age and salary and set up a new payment schedule for the remaining service purchase.

OMERS administers the buy-back payment plan directly with members, and not through the employer.

Tax deductibility

The cost of buying back service is tax-deductible, depending on the type of service and when it occurred. The tax deduction would apply in the year the payments are made. OMERS will issue a tax receipt once a year showing the amount paid toward the buy-back in the current tax year, including the administration fee.

Things to consider about buy-backs

- The monthly payment plan can make purchasing past service easier to manage compared to paying in one lump sum.
- The overall cost of a buy-back in monthly payments is higher than paying in a lump sum. This reflects the increasing value of the service during the repayment period and interest costs.
- The buy-back increases a member's credited service, which increases their lifetime pension.
- More credited service may help members retire earlier or with a smaller reduction.
- Purchasing service can be a big financial commitment; members may wish to consult a retirement planner or financial adviser.

The OMERS difference

OMERS reputation as a pension service leader starts with listening to our members. We are committed to providing the tools to help our members maximize their retirement benefit.

For more information, please visit **www.omers.com** and see:

- Members/Estimators/Buy-back Estimator
- Members/Details about your plan/Information pages/Income tax deductibility & PSPAs
- Members/Details about your plan/Information pages/Purchasing previous service.

OMERS buy-back payment plan example

Mary has 21 months of service she would like to purchase at a total cost of $12,826.80*. Mary opts to pay for her buy-back over 36 months through the payment plan. Her payments are:

Monthly payment (including interest)	$394.59
Monthly administration fee**	$5.97
Total monthly payment	**$400.56**

* *The cost to buy back the service is based on the member's age and salary.*

** *The total administration fee for each buy-back is $215 and covers the costs associated with administering a buy-back purchase. The cost of the monthly buy-back including interest and the administration fee are tax-deductible.*

OMERS and today's economic climate

OMERS Chief Pension Officer answers your questions

Investment results released in February show that the economic downturn that affected markets around the world also had an impact on OMERS. *Member News* recently spoke with Jennifer Brown, Chief Pension Officer, to get answers to your questions.

Is my OMERS pension still safe and secure?

"OMERS provides a defined benefit plan that continues to provide secure benefits for members in their retirement in spite of the current global economic downturn. An OMERS pension is based on a formula that takes into account years of service and earnings. Short-term market volatility does not affect the stability of OMERS defined benefit plan."

How do market fluctuations affect OMERS pension promise?

"OMERS funding structure is designed to see the Plan through difficult times. OMERS invests for the long term and has strict guidelines and criteria for balancing risks and returns. We have weathered economic downturns in the past, and we have the experience to make it through this one. We will continue to work hard to build wealth to secure the pension promise for current and future retirees."

What's in the short-term forecast?

"At the end of 2008, OMERS Primary Plan had a funding shortfall of $279 million. In the short term, the funding shortfall is expected to increase. A funding shortfall means that the Primary Plan's assets are less than the amount required to pay accrued pension benefits to all current and future retirees."

Why is the funding shortfall expected to increase in the short term?

"Our current funded position reflects an actuarial smoothing adjustment*, which holds back a portion of investment losses that will be recognized over the next four years. These deferred losses could well be offset by future gains; however, based on the recent losses plus the current financial outlook, we expect the funding shortfall to increase over the short term."

What is OMERS doing to secure pensions?

"On the investment side, OMERS will continue to shift its asset mix to have more exposure to the less volatile private markets. OMERS move towards private investments over the past few years helped to temper the impact of the 2008 economic downturn. As well, our new investment arm, OMERS Strategic Investments, will better position OMERS to enter into large, private-asset investments with like-minded partners around the globe.

"On the benefits side, OMERS Sponsors Corporation (SC) will carefully assess and monitor the Plan's funded status. OMERS SC's options to address a funding shortfall include changing benefits on service going forward or increasing contribution rates. Keep in mind, a benefit change cannot reduce a benefit accrued before the effective date of the change."

Any final comments?

"We have a clear strategy and the right team to deliver on our pension promise and to grow investments. Our investment expertise will help us to take advantage of opportunities that will present themselves both during these difficult times and during the recovery to come. Future and current retirees can rest assured knowing their OMERS pension will be there for them when they retire."

In arriving at the funded status, investment gains or losses are recognized over five years to "smooth out" the peaks and valleys in an individual year's investment returns. Smoothing is a practice actuaries and pension plans use to moderate the effect of short-term market fluctuations on pension plan funding. More information about OMERS investment performance is in OMERS Annual Report available online at* **www.omers.com.

Sponsors Corporation approves changes

On February 19, OMERS Sponsors Corporation approved the following

Active membership extended from age 69 to age 71 in OMERS Primary Pension Plan and OMERS Supplemental Pension Plan

Old rules

(apply to active members who turned 69 on or before February 28, 2009)

Active OMERS members who worked past their normal retirement date had to start their OMERS pension no later than the first of the month following their 69th birthday. Active members who turned 69 started to receive their OMERS pension whether or not they continued to work, and would no longer make contributions.

New rules

Effective March 1, 2009, active OMERS members who continue to work past their normal retirement date must start their OMERS pension no later than the end of the year in which they turn 71. Since OMERS pensions are paid at the beginning of each month, the pension must start no later than December 1 of the year in which the member turns 71. This applies even if the member's birthday is in December. The member's pension will start on December 1, whether or not he/she continues to work, and the member will no longer make contributions.

Note: Employers must stop deducting contributions as of November 30 or when the member has 35 years of credited service, whichever is earlier.

Example:
If John turns 71 on March 12, 2014, his OMERS pension must start by December 1, 2014. In December, John will receive his OMERS pension whether or not he continues to work, and he will no longer make contributions or earn credited service.

Transition period rules

(apply to members who turn 69 on or *after* March 1, 2009, but *before* March 1, 2014)

An active OMERS member who turns 69 on or after March 1, 2009, and on or before March 1, 2014, may elect, despite ongoing employment, to start his/her OMERS pension on the first of any month up to the earlier of:

- December 1 of the year he/she turns age 71; and
- March 1, 2014.

After February 28, 2014, an active OMERS member who works past his/her normal retirement date will continue to make contributions and earn credited service (to a maximum of 35 years) until retirement or until November 30 of the year in which the member turns age 71, whichever is earlier.

Important: The transition period rules are **not** retroactive – active members who turned 69 on or before February 28, 2009 must have started their pension no later than the first of the month following their 69th birthday.

Members immediately affected

Active members who turn 69 in March 2009 through December 31, 2009, were notified that their pension will not automatically begin once they turn 69.

Option for fire associations and police associations to continue normal retirement age 60 for former firefighters and police officers

This plan change applies only to participating fire and police associations, not to other OMERS employers.

Effective March 1, 2009, fire associations and police associations now have the option to provide normal retirement age 60 benefits to all or a class of members who:

- cease to be employed as firefighters or police officers;
- had a normal retirement age of 60 before ceasing to be employed as firefighters or police officers; and
- subsequently become employed by a participating fire or police association within 90 days of ceasing to be employed as a firefighter or police officer.

To provide normal retirement age 60 for all or a class of members who meet the above criteria, the fire or police association would establish normal retirement age 60 as part of their participation bylaw.

Housekeeping amendment to the OMERS Primary Pension Plan

Effective March 1, 2009, a housekeeping amendment has been made to clarify the language in the wind-up provisions to reflect the *Pension Benefits Act* requirements that apply to the OMERS Plan.

Your plan updates

CV changes approved

As we reported in our last issue of *Member News*, commuted value (CV) calculation rules were about to change. Since then, the new rules have been published by the Canadian Institute of Actuaries and adopted by the Ontario government in the *Pension Benefits Act* (PBA) *Regulations*. The changes took effect April 1, 2009.

The new rules could lower the commuted of members who leave the plan by about 5% (for older members) to up to 20% (for younger members). They do not, however, affect the pension benefit you continue to earn in OMERS, nor do they affect members who choose to keep their pension in OMERS. We have communicated these changes directly to members who are eligible for a commuted value.

The commuted value of a pension is the amount of money that must be put aside today, to grow with tax-sheltered investment earnings, to provide a pension at a future date. It is one of the options available to members who cease employment and who are not yet within 10 years of their normal retirement date.

For more information, please see our FAQ's on this subject at **www.omers.com** [Members/ Frequently Asked Questions/2009 Commuted Value Changes].

Marriage breakdown rules

As we mentioned in our last issue of *Member News*, the Ontario government is making changes to family law in Ontario (*Bill 133 – Family Statute Law Amendment Act*). Included in the changes are new rules on how to divide pension assets in the event of a marriage breakdown.

Bill 133 passed third reading May 7th, but the provisions relating to marriage breakdown are not yet in effect. We'll provide more detail in the next *Member News*.

Your OMERS Pension Report

With the help of all our participating employers, OMERS has substantially completed our members' 2008 Pension Reports. Here are our results, as at May 13th, 2009:

Number of members for whom we've received information from their employers	232,041
...as a percentage of all our membership data	91.46%
Pension Reports produced	165,805

Strengthening Ontario's pension system

The report from the Ontario Expert Commission on Pensions was released on November 20, 2008. The Government of Ontario set up the Commission more than two years ago in order to review the province's pension system.

Visit www.omers.com under What's New at OMERS for a copy of OMERS response to the report of the Ontario Expert Commission on Pensions.

OMERS response to the Commission's report

On February 27, 2009, OMERS submitted *Turning Recommendations into Actions* – its response to the report from the Commission.

"Overall, we're pleased with the Commission's direction and with many of the individual findings and recommendations aimed at strengthening the security, affordability and fairness of pension plans in Ontario," says Evelynn Funston, Senior Vice President, OMERS Corporate Projects. "The Commission's report represents a positive and long-awaited first step in the crucial task of reforming the current pension system in Ontario.

"We also agree with the report's findings that maintaining momentum is crucial to the initiative's success. We believe that the time for action is now and the Ontario government must move quickly to prioritize and execute the first phase of pension reform," she adds.

The OMERS response highlights recommendations where action can and should be taken immediately. The five key priority actions are summarized in the following table. For a detailed analysis as well as additional specific responses that address a number of technical issues, see *Turning Recommendations into Actions*, which is available at **www.omers.com**.

What's next?

The Ontario budget introduced on March 26, 2009 contained some temporary measures for solvency funding relief, but not a long-term solution.

"We understand that the Ontario government is continuing to address the report's findings and consider broader measures and long-term solutions, and we are ready to assist with this important initiative," says Michael Nobrega, OMERS President and CEO.

Immediate priority actions

1 Exempt public sector, jointly-sponsored pension plans from the Quantitative Investment Restrictions by immediately amending the *Pension Benefits Act* (PBA) *Regulations*.

- This recommendation supports the Ontario government's commitment to introduce legislation to address the challenges that pension plans face. It is also supported by other Canadian jurisdictions.

2 Exempt public-sector, jointly sponsored plans from the solvency funding requirement by immediately amending the PBA.

- The exemption would ease the potential, unnecessary burden of additional contributions, caused by a solvency deficiency, on OMERS stakeholders and ultimately, on taxpayers.

Other priority actions

3 Make change happen by establishing an effective regulatory framework – begin the creation of an effective structure for pension reform by establishing the Pension Champion and the Ontario Pension Regulator.

4 Adopt a principles-based approach, wherever possible, to drafting legislation – starting with a principles-based "prudent person" approach for investment of pension funds.

5 Implement the Commission's recommendations supporting consolidation of the pension industry. Consolidation can bring significant and widespread benefits to Ontario's pension system. The current economic crunch is putting pressure on small plans. There is an immediate need for consolidation to allow smaller pension plans to remain sustainable and larger plans to grow.

OMERS: your retirement safety net

Being the first female Designate Captain with Markham Fire and Emergency Services was the second milestone for Andrea Beneteau. Before this, she was the first female firefighter for this thriving community north of Toronto.

"Designate Captain means I fill in when the Captain is away," she said modestly. Actually, it also means she's on the list to get her own fire station – having completed the exams and interviews necessary for the next big step.

Andrea's career choice is perfectly suited for this self-professed spontaneity seeker. "Being a firefighter is exciting and different every day. There really isn't any routine, which is great, because I don't like monotony." (This proved to be a bit prophetic, as she had to respond to two emergencies during the course of this interview.)

Her first experience with OMERS was while she was with her previous employer, Toronto Ambulance Services. At first, she wasn't eligible to join the plan, and then she wasn't sure whether she wanted to. "My father had been self-employed, and he encouraged us to start investing early in RRSPs. He never mentioned anything about pensions."

"When you're young, you don't really think about retirement or the future" she continued. "I wish I'd been encouraged to join OMERS, and, after I did, I wish I hadn't cashed out my service when I left Toronto Ambulance."

When asked whether she'd explored the option of buying back service, she answered that she had. "But the one-time cost was expensive, and I decided against it." [Read about OMERS new payment-plan option for buy-back purchases in this issue.]

Although still young, and with an exciting and rewarding job, Andrea already has one eye fixed on her future and her life after work. "I'd like to retire early and have a store, café or a bed and breakfast – a place where people get together. My OMERS pension will be the foundation of my retirement plans."

Even when she's off duty, she's still "on." "I'm a basketball fanatic – not supporting any particular team, but loving the sport in general," she admits. In peak season, she referees between 10-20 (community, school, and college) games per week. "This drops to 5-10 games when things are quieter."

In addition, she somehow finds time to help others with their home renovations, although she jokingly admits there is a down side. "I've been in my own house for five years, and I'm just getting around to painting it!"

"Oh, and with my medical and fire experience, I seem to be on the emergency-call list of most of the people I know!"

It's likely safe to say that they'll be in good hands.

Her OMERS pension will be the foundation of Andrea's retirement plans.

Plan for the future – with OMERS

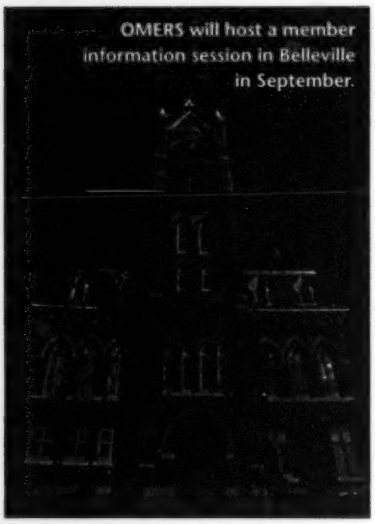
Learn about your pension at an OMERS member information session. The sessions are fun, informative and free of charge. Topics include early retirement options, inflation protection, survivor benefits and investments.

Information sessions scheduled for June to October 2009 (5:30 to 7:30 p.m.)

Date	Location
June 24	**Collingwood** Georgian Manor, 10 Vacation Inn Drive
July 15	**Dryden** The Riverview Lodge, 148 Earl Avenue
August 12	**London** Best Western Lamplighter Inn, 591 Wellington Road South
September 16	**Belleville** Ramada Inn, 11 Bay Bridge Road
September 23	**North Bay** Holiday Inn Express Hotel and Suites, 1325 Seymour Street
October 1	**Windsor** Giovanni Caboto Club, 2175 Parent Avenue
October 7	**Orillia** Best Western Mariposa Inn & Conference Centre, 400 Memorial Ave.
October 15	**Toronto** OMERS, 1 University Avenue, 16th Floor
October 20	**Toronto east** Agincourt Public Library, 155 Bonis Avenue
October 27	**Markham** Holiday Inn Hotel and Suites, 7095 Woodbine Avenue

Between November and December, meetings will be held in Barrie, Durham, Kingston, Kitchener, London, Mississauga, Ottawa, St. Catharines and Toronto.

For meeting locations and to register, contact OMERS Client Services or visit OMERS website under Members/Information sessions. Register early; the sessions fill up quickly.



OMERS will host a member information session in Belleville in September.

Moving?

Tell your employer

When OMERS sends mail to you, we use the address provided by your employer. We count on your employer to have your current address, so please advise them of any changes.

OMERS
Plan for the Future

If there is any discrepancy between the information in this newsletter and the *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act, 2006)* and the Plan text, the *OMERS Act, 2006* and Plan text will govern.

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